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MEMORANDUM FOR: [redacted]
Executive Secretary

Attached are the NIC's contributions for your report to the DCI on Significant Activities during his absence.

H. F. Hutchinson, Jr.
Acting Chairman, NIC

Date 8/24/82

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Significant Activities During 6-24 August Absence of DCI

NIO/NESA

1. Upon the recommendation of the Acting DCI, NIO/NESA forwarded directly (and solely) to Secretary Shultz an internal memorandum on "Implications of a Palestinian Political Entity." The paper addresses the question of what such an entity would look like while making no judgment as to the likelihood of such an entity being created. Although consideration had been given to producing the paper as an Intelligence Community project, State Department strongly expressed its view that the subject was so sensitive, and the risk of leak so great, that it would be preferable to provide it only to Secretary Shultz and to forego seeking a Community imprint.

NIO/NESA had added to its schedule of planned interagency papers the following:

-- Prospects for Pakistan. This paper is being prepared in anticipation of the scheduled December visit to Washington of Pakistan President Zia.

-- Regional Impact of the Lebanese Invasion. In the wake of the completion of the PLO withdrawal from Beirut, this paper will assess internal and international implications for regional actors -- Lebanon, the moderate Arabs, the radicals, Israel -- as well as for the US and the USSR.

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NIO/Economics

Pipeline Sanctions

An important SIG/IEP meeting took place on 24 August to consider policy options concerning pipeline sanctions and make recommendations to the President. It was attended by the most senior available members of each department and chaired by Secretary Shultz in Secretary Regan's absence. CIA did not provide major new in-puts. A memorandum on the meeting is available.

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Significant Activities/Developments (A/NIO/LA)

Mexico is facing a financial crisis of unprecedented dimensions that is likely to have serious domestic political repercussions. With a debt of $80 billion -- including more than $30 billion in short- and medium-term debt principal coming due within a year -- it is facing a severe liquidity crisis. An emergency aid program of $2.5 billion from the US and central banks and a standstill on debt repayments should tide Mexico over the immediate crisis until an IMF stabilization package is in place and agreement is reached with commercial banks on long-term debt rescheduling.

In order to restore international confidence -- essential before the international financial community will agree to fork over three-quarters of a billion dollars monthly -- Mexico City will have to impose tough austerity measures which are likely to cut labor's purchasing power, bankrupt hundreds of businesses, and bring economic growth to a virtual halt. The price of key items such as tortillas, gasoline, and transportation fares may have to be increased several fold. Such measures will hit the lower classes hard and as erosion in popular support for the government sets in, it could advance rapidly. A Special National Intelligence Estimate addressing the political and economic implications of the crisis for both Mexico and the United States is being drafted with a 7 September target publication date. (See Concept Paper and TOR, Tab A.)

Radio Marti. At the request of General Stillwell, the Joint Chiefs of Staff are preparing a paper on US options for countering Cuban threats to disrupt US radio broadcasting. When this paper is completed -- about 15 September -- the intelligence community will be asked to estimate Cuban responses to the proposed US measures. (See tasking memo, Tab B.)

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